

Message Text

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62

ACTION EUR-10

INFO OCT-01 IO-03 ISO-00 XMB-01 DRC-01 NEA-06 EA-07 FEA-01

AGR-03 CEA-01 CIAE-00 COME-00 DODE-00 EB-03 FRB-01

H-01 INR-10 INT-01 L-02 LAB-01 NSAE-00 NSC-07 PA-01

RSC-01 AID-05 CIEP-01 SS-14 STR-01 TAR-01 TRSE-00

USIA-04 PRS-01 SP-02 OMB-01 SWF-01 /093 W

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P R 071544Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 5498

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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C O R R E C T E D C O P Y P A R A 1 L I N E 1 1

E.O. 11652: N/A

TAGS: ETRD, GW, EC

SUBJECT:GERMAN VIEWS ON MTN ISSUES

REF: USEC BRUSSELS 7667

1. BEGIN UNCLASSIFIED REFERRING TO "RELIABLE
SOURCES OF INFORMATION", HANDELSBLATT CARRIED
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ARTICLES ON OCT 2 AND OCT 3, 1974 ON INTERNAL FRG
DISCUSSIONS CONCERNING THE EC MANDATE FOR THE MTN,

AS WELL AS FRG VIEWS CONCERNING BASIC ISSUES TO BE HANDLED IN THE MTN. COPIES OF HANDELSBLATT ARTICLES POUCHED TO EUR/CE. ACCORDING TO THE HANDELSBLATT, BONN'S ATTENTION IS DIRECTED PRIMARILY AT OBTAINING RAW MATERIALS AGREEMENTS WHICH WILL PROBABLY BE "INDISPENSABLE" IN THE AGRICULTURAL SECTOR AND AT EXPORT RESTRICTIONS WHICH HAVE BEEN INCLUDED IN THE GATT AGENDA AFTER THE OIL CRISIS AND WHICH "WERE BROUGHT INTO THE DISCUSSION ABOVE ALL BY THE US".

2. HANDELSBLATT DESCRIBES BONN'S PRESENT POSITION IN THE VARIOUS FIELDS AS FOLL

A. TARIFF REDUCTIONS: THE ECONOMICS MINISTRY AND BRUSSELS CONCUR THAT THE ESTABLISHMENT OF A TARIFF REDUCTION FORMULA IS STILL PREMATURE IN LIGHT OF EXISTING UNCERTAINTIES WITHIN THE EC, AND IN VIEW OF THE NEGOTIATION POSITION VIS-A-VIS THE US. THIS FORMULA SHOULD ULTIMATELY RESULT IN AN AVERAGE TARIFF REDUCTION OF BETWEEN 1/3 AND 1/2 OF THE CURRENT RATES AND THUS CORRESPOND WITH THE EC GLOBAL CONCEPT AGREED TO UP TO NOW. BONN DOES NOT FAVOR PLACING A LIMIT OF 50 PERCENT ON REDUCTION OF HIGH TARIFFS EXCEEDING 25 PERCENT, SINCE THIS COULD IMPLY THAT THE POSSIBILITIES OFFERED BY THE US TRADE REFORM ACT MIGHT NOT BE FULLY USED. OTHERWISE, ONE COULD CONCLUDE ERRONEOUSLY THAT TARIFFS BELOW 25 PERCENT WERE TO BE REDUCED IN PRINCIPLE BY LESS THAN 50 PERCENT. IN THE GERMAN VIEW, THE LOWER TARIFF RATES ALSO SHOULD BE REDUCED BY AT LEAST 50 PERCENT. FALL ELIMINATION OF TARIFFS, AS A RETURN FOR RAW MATERIAL DELIVERIES ARE ACCEPTED BY BONN UNDER CERTAIN CONDITIONS AS A SUBJECT FOR NEGOTIATION.

B. NTB'S: BONN WILL FAVOR THE PLANS OF THE COMMISSION TO ESTABLISH A PRIORITY LIST FOR NTB'S SINCE AN OVERALL SOLUTION FOR THE 850 NTB'S ON THE GATT LIST WILL BE IMPOSSIBLE. CRITERIA FOR LIMITED OFFICIAL USE
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THIS LIST ARE THE ADVANCED STA ATUS OF PREPARATORY WORK AND THE INTERESTS OF THE MOST IMPORTANT TRADING PARTNERS. THE LIST MIGHT INCLUDE THE FOLLOWING TRADE BARRIERS: PROCEDURES FOR TARIFF VALUATION, IMPORT LICENSES, EXPORT SUBSIDIES AND COUNTERVAILING TARIFFS, STANDARDS, AND IMPORT RESTRAINTS. BONN BELIEVES THAT LIBERALIZATION OF PUBLIC PROCUREMENT AND EXPORT SELF-RESTRAINT MEASURES SHOULD ALSO BE INCLUDED.

C. EXPORT RESTRICTIONS: BONN THINKS THAT CONCRETE PLANS SHOULD BE DEVELOPED WITHIN THE EC, SINCE MANY COUNTRIES HAVE ALREADY INDICATED THEIR OPPOSITION TO ACTION ON EXPORT RESTRICTIONS. THIS SHOULD INVOLVE A BETTER ELABORATION OF GATT RULES, ESPECIALLY THROUGH ESTABLISHMENT OF A CODE OF RULES, THE MOST NARROW WORDING POSSIBLE OF GROUNDS FOR JUSTIFICATION, AND CONSULTATION AND SANCTIONING PROCEDURES WHICH WOULD BE CONTROLLED INTERNATIONALLY. RAW MATERIAL AGREEMENTS OUTSIDE THE GATT ARE NOT TO BE ACCEPTED. TRADE LIBERALIZATION FOR FINISHED PRODUCT IMPORTS MIGHT BE OFFERED IN RETURN FOR ACCESS TO RAW MATERIALS. BONN WILL OPPOSE, HOWEVER,

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INFO OCT-01 IO-03 ISO-00 EURE-00 XMB-01 AGR-03 CEA-01

CIAE-00 COME-00 DODE-00 EB-03 FRB-01 H-01 INR-09

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CIEP-01 SS-14 STR-01 TAR-01 TRSE-00 USIA-04 PRS-01

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PRICE GUARANTEES AS A RETURN FOR DELIVERY COMMITMENTS.

D. SAFEGUARDS: BONN AGREES IN PRINCIPLE TO THE PLANS OF THE COMMISSION CONCERNING A UNIFORM REFORM OF THE SAFEGUARDS CLAUSE, IN CONTRAST TO SEVERAL CLAUSES AS DESIRED BY THE US. A NUMBER OF IMPORTANT QUESTIONS OF DEFINITION WILL STILL HAVE TO BE CLARIFIED. SAFEGUARDS SHOULD BASICALLY NOT BE LIMITED OFFICIAL USE

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DISCRIMINATORY.

E. AGRICULTURE: THE ERECTION OF A WORLD-WIDE MARKET CONTROL AND INFORMATION SYSTEM TO BE OPERATED BY INTERNATIONAL ORGANIZATIONS IS NO LONGER IN QUESTION. BONN REMAINS CAUTIOUS AND SCEPTICAL ABOUT COMMODITY AGREEMENTS. THOSE LEAVING MOST LEAWAY TO FREE WORLD TRADE ARE ADVOCATED. BONN WILL SEE TO IT THAT TERMS LIKE "CONTINUITY OF SUPPLY" WILL NOT BE INTERPRETED AS BINDING SUPPLY AND PURCHASE GUARANTIES. CONCEPTS OF "ORDERLY MARKETING" OR "IN AN ORDERLY MANNER" ARE NOT TO BE INTERPRETED AS MARKET ORGANIZATION.
F. STATE TRADING COUNTRIES:, BELIEVES THAT THE

EC SHOULD COUNT ON THE EAST BLOC URGING A FURTHER REDUCTION OF QUANTITATIVE IMPORT RESTRICTIONS. THERE EXISTS A CLOSE RELATION BETWEEN THE EC WISH FOR AN IMPROVEMENT OF ITS EXPORT POSSIBILITIES AND THE OPENING-UP OF EASTERN MARKETS. BONN OBJECTS TO SECTORAL PURCHASE COMMITMENTS. THE INTRODUCTION OF NEW TARIFF LISTS INTO GATT, FOR EXAMPLE, RUMANIA AND POLAND, IS SUPPORTED IN PRINCIPLE, ALTHOUGH THESE SHOULD PROBABLY BE CONSIDERED AS "NEGOTIATING TARIFFS" (KAMPFTARIFE). END UNCLASSIFIED

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3. THE HANDELSBLATT ARTICLES HAVE CAUSED CONSIDERABLE EMBARRASSMENT IN ECONOMICS MINISTRY. A TRADE POLICY OFFICIAL (KUEHN) DENIED THAT PREPARATIONS HAVE SLOWED DOWN, AS REPORTED IN OCT 2 ARTICLE. WHILE REFUSING TO CONFIRM OR DENY HANDELSBLATT DESCRIPTION OF FRG POSITIONS ON

TARIFF REDUCTIONS AND OTHER MTN ISSUES, KUEHN'S COMMENTS LED US TO BELIEVE THAT THIS DESCRIPTION WAS ACCURATE.

4. REFERRING TO PREPARATIONS OF EC MANDATE, KUEHN SAID THAT IT WAS NOW EVIDENT THAT COMMISSION WOULD NOT COMPLETE ITS WORK ON PROPOSED MANDATE BY OCT 9 AS ORIGINALLY SCHEDULED. HOWEVER, COMMISSION'S LIMITED OFFICIAL USE

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PROPOSAL SHOULD BE OUT WITHIN NEXT TWO-THREE WEEKS. IT HAS NOT YET BEEN AGREED HOW TO HANDLE THE MANDATE, BUT KUEHN THINKS IT WILL FIRST GO TO COUNCIL FOR BRIEF DISCUSSIONS AND THEN TO PERMREPS FOR MORE DETAILED CONSIDERATION. CONFIRMING PARA 4 REFTTEL, KUEHN BELIEVED IT IMPORTANT TO REACH AGREEMENT QUICKLY, ONCE IT IS CLEAR WHAT KIND OF TRADE BILL WILL EMERGE FROM CONGRESS. FRG IS PLANNING ON EC COUNCIL APPROVAL OF MANDATE BEFORE CHRISTMAS RECESS.

5. ACCORDING TO KUEHN, FRENCH ARE ARGUING FOR DETAILED MANDATE, AND ARE BEING QUITE DIFFICULT. FRG AND OTHERS PREFER GIVING THE COMMISSION A MORE GENERAL MANDATE, WHICH CAN BE SUPPLEMENTED BY SPECIFIC DIRECTIVES AS THE NEGOTIATIONS PROCEED.

6. KUEHN CONFIRMED THAT THERE WAS CONSIDERABLE INTEREST IN FRG IN NEGOTIATING AGREEMENTS FOR ASSURED ACCESS TO RAW MATERIALS. KUEHN STRESSED THAT THESE AGREEMENTS SHOULD BE MULTILATERAL AND TIED TO GATT. INSTEAD OF PRICE QUARANTEES, FRG PREFERS TO OFFER TARIFF CONCESSIONS ON FINISHED OR SEMI-FINISHED PRODUCTS IN RETURN FOR ACCESS. KUEHN NOTED THAT EFFECTIVE RATES ARE STILL HIGH ENOUGH IN MANY CASES TO MAKE IT POSSIBLE TO OFFER ATTRACTIVE CONCESSIONS TO RAW MATERIAL PRODUCERS.

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